

Managing Leadership and Cultural Change at Beak and Johnston: A Work in Progress

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Short abstract

While tackling the challenges of leadership development and succession planning, the managers of a family-owned food processing business based in Sydney, Australia, candidly shared the cultural and organizational ups and downs that have come with pursuing an ambitious financial goal.

Long abstract

As it strives to attain its goal of becoming an AUD\$1 billion company by 2020, Beak and Johnston (B&J), a family-owned food processing business based in Sydney, Australia, has embarked on a transformative leadership and cultural enhancement process. The company's founder and CEO, David Beak, is trying to improve the capabilities of his senior strategy team while stepping back from the business. To that end, the company has adopted a leadership development approach with an eye on succession planning in which workers at all levels are encouraged to speak openly. It also is fostering cultural change with a less hierarchical organizational structure in which factory managers are empowered with greater levels of responsibility and accountability. The insights revealed in this candid snapshot of an organization in transition offer valuable lessons on the essential elements of an effective change effort.

A family-owned food-processing business based in Sydney, Australia, with plants in New South Wales and Queensland, Beak & Johnston (B&J), has more than 27 years of experience with meat products, fresh soups, and prepared meals and recently expanded into New Zealand. Its customers are the major retail chains and foodservice companies in Australia and abroad. The company's founder and CEO, David Beak, is an Englishman who graduated from the University of Oxford and represents the fourth generation of his family to work in the meat industry.

In 2013, the company was performing well, with group sales exceeding AUD\$300 million. One of the strategic goals that B&J set in 2002 was to become a \$1 billion dollar company by 2020. Although Beak describes the company as being "30 percent of the way there," the organization is currently dealing with two major changes, both of which are vital to the attainment of B&J's strategic goals:

- The composition and structure of the company's senior leadership team. Many leaders of start-ups and family and eponymous organizations face a common succession planning challenge: To what extent and in what ways should they take a step back from the business that they have developed over many years?
- The business culture, particularly encouraging employees to be more effective communicators and more accountable for their behavior, and to take on greater leadership responsibility.

Several informal and formal meetings were held with David Beak to understand the nature of the leadership and cultural changes taking place at B&J. Interviews also were conducted with the senior leadership team and other managers and workers across the entire organization at its Greenacre site in Sydney. Researchers were granted full access to the organization and permitted

to observe senior leadership team meetings and away days (when the senior leadership team discussed the company's strategy off-site) and to take photographs inside the main factory.

Devising a Plan for Changes in Senior Leadership

Inspired by a course at Harvard Business School (Leading in the Chaotic World), an article by Ralph Stayer of Johnsonville Sausage (Stayer, 1990), and feedback from his peers in the Young Presidents' Organization and in his overseas business network, Beak has been keen to develop both his own leadership style and the leadership competencies of his senior strategy team. The changes that have taken place over the past two years have also been driven by B&J's board of directors who, Beak said, "have dragged me away from micromanaging my business." A DiSC® (Dominance, Influence, Steadiness, and Conscientiousness) personality assessment tool conducted in 2011 identified all five members of his senior management team as dominant and too driven by results. "You can imagine why we were a dysfunctional team," said Beak. "Once we realized this, we started looking for leaders with other attributes, and over time we have built a leadership team with more balance ... We have let three 'High D' personalities go in the last three years; apart from that, we have had no change in personnel."

The company's board felt that there were a number of ways in which its leaders could develop to improve employee effectiveness and business performance. Describing himself as "interfering, visionary, driven, competitive, obsessive, never satisfied, and restless," Beak recognized that he, too, could benefit from leadership development. With a view to changing the mindset and behaviors of the company's senior strategy team, B&J management began working with an executive coaching and senior leadership-development company. Several team members said that they were gaining insights from this exposure and Beak initially was very enthusiastic about

the effort. In the last year, however, his direct involvement in the mentoring has ceased, although the senior strategy team members continue to be involved. This has sent some mixed signals to the senior strategy team about whether Beak and B&J as a whole are committed to long-term leadership development.

Influenced by a respected business colleague and friend, Rob Murray, the former CEO of Lion Nathan National Foods, Beak introduced the Human Synergistics Circumplex to B&J. This measurement model categorizes 12 behavioral styles according to three colors — red for aggressive/defensive, green for passive/defensive, and blue for constructive — and aims to provide organizations, groups, and individuals with a tool to change these styles (Human Synergistics International, 2010). Ideally, organizations, groups, and individuals should strive to embody constructive styles, such as achievement-oriented, self-actualizing, humanistic and encouraging, and affiliative, rather than passive/defensive styles, such as avoidance, dependent, conventional, and needing approval, or aggressive/defensive styles, such as oppositional, power-focused, competitive, and perfectionist.

The organizational culture of B&J — red, or aggressive/defensive — would need to become blue — constructive — if its growth plans for 2020 were to be realized. The results of the Circumplex analysis did not surprise Beak. He recognized the need to flatten the organizational structure and empower front-line workers to solve problems and make decisions, despite the objections of his senior management team. His reasoning was that historically the company had been too hierarchical—that is, that senior leaders were distant from the challenges and realities of the factory floor and too autocratic (Stayer, 1990).

The transition from red to blue has been slow within B&J, but the company is committed to seeing this through. A number of changes in human resources, a company-wide leadership development program, and a coaching consultation for the senior executive team have underpinned this transformation.

B&J re-branded its HR department to a PPC — for people, performance, and culture — department. The head of that department was given the task to change the company culture, which specifically entailed encouraging employees to accept greater accountability for their behavior as well as more leadership responsibilities, which Beak feels “has worked very well.” Beak believes he has been “instrumental in supporting the Human Synergistics push” because of his approachability and ability to engage with different employees across the whole organization, which has accelerated the change process.

As a result of the training efforts, the performance of the company has significantly improved, with productivity increasing by 15 percent, volumes increasing by 17 percent, and very little turnover of staff from January to December 2013. “The impact on our bottom line has been dramatic,” said Beak. Nonetheless, he confessed that he has struggled with the transition to a more hands-off management style. He finds it difficult, for example, not to intervene when he feels that sufficient progress is not being made or when decisions seem slow in coming.

Overall, a positive dynamic has been generated in the senior strategy team, which is composed of Beak, the COO, the CFO, the PPC director, and the heads of sales and business development. Members are encouraged to speak frankly, both on a one-on-one basis as well as during meetings. Because Beak is one of the founders of the company and its CEO, however, some members of the senior strategy team are reluctant to question his decisions. There is also a

separate senior leadership team, which includes all the senior strategy team members, plus the senior line managers, and there has been some discussion about the purpose of these teams. Furthermore, the COO expressed a concern that within the last few years, B&J has lost some of the senior leaders who reported directly to Beak and were making a positive impact before they left. As a result, relationships with some suppliers and customers have been lost, causing business to move to a competitor. It appeared that the existing leadership structure of B&J, with its fluidity between the roles of the CEO and senior leaders, had created too much ambiguity in terms of lines of authority, responsibility, and accountability.

The senior strategy team embarked on some major structural changes with the arrival of a new head of the soups and meals business at the end of 2013. Beak said that in the short term he saw himself moving to Group CEO with the two managers in charge of soups and meals and the meat division becoming CEOs of their respective divisions. Ultimately, Beak expected to progress from Group CEO to Executive Chairman, with both CEOs reporting to him. "I'm not really a big people person, and the people thing will go to the CEOs. I want CEOs to be CEOs," said Beak.

This sent a message that he was renouncing his personal involvement in terms of talent management. Saying "I'm not really a big people person" signals that Beak is not committed to personally managing or resolving personnel issues. Stating "I want CEOs to be CEOs" indicates that he is willing to take a hands-off approach to managing the business and let the two CEOs have full operational and management control of their respective businesses.

Beak's vision is to move from Executive Chairman to Chairman in five to ten years. When the idea was presented to the senior leadership team, there was some heated discussion about who would be reporting to whom under the new structure. For example, the CFO was concerned

whether there would be any benefit to B&J by decentralizing the functions of support teams, such as finance and IT. The head of business development wanted to know how the new structure was different than the old structure. The managers debated what, if anything, should be revealed to the other employees before the company's annual meeting. The meeting chair suggested that these issues be discussed further at a later date. Some members were clearly frustrated that the issue was not resolved there and then. Beak later noted, "I am now Group CEO, but this will only be for a short time and I think I will be a better Chairman. I am still finding it hard to change personally. My role is to set the vision with the Board, appoint my successors, and get out of the way." Many family businesses, as well as large organizations with succession planning challenges, have, no doubt, experienced similar difficult discussions.

Emphasizing Cultural Evolution

In 2012 and 2013, B&J introduced Invictus, an enterprise resource planning (ERP) initiative that seeks to integrate multiple divisions of the company, such as finance, production, investment, and management. The goal is to improve the organization's structure so that each operational line of the business meets or exceeds its targets. This system also involves a cultural change: encouraging managers to alter the way they communicate.

In the past, the company's hierarchical structure lent itself to negative interpersonal interactions, such as shouting and other aggressive forms of confrontation, which line managers said was quite common. There was also a focus on delivering in the short term at all costs, instead of trying to think long term about what was making processes effective or ineffective. As in any results-driven organization, this created a top-down pressure-cooker environment for the managers in which targets had to be reached, whatever the cost. The talent management literature

shows that this kind of workplace environment can quickly stifle employee motivation and engagement and, therefore, lead to long-term challenges with talent retention.

B&J has been installing a flatter structure across the organization, which empowers managers and supervisors to take on greater responsibility and accountability. For example, line managers are encouraged to take a more hands-on role with recruitment of personnel and with performance appraisals. In general, there has been an overall drive to get people across the company to lead and not to manage, as described by Kotter (2001). Both the COO and CFO feel that this has been a positive endeavor, but find that progress is taking place in pockets, and that Beak could lead more by example with respect to the senior strategy team.

Because he has worked on the front line himself and built a successful business from scratch, Beak is highly respected by junior and middle level workers across B&J. He is often described as visionary in his thinking and as a very kind and approachable individual. On the few occasions when there have been personal injuries to his employees, he has been known to show compassion and support to workers and their families. For example, when an employee was left quadriplegic after a car accident outside work, Beak visited him in the hospital several times and raised money for him to have a new car fitted with wheelchair access. Another staff member mentioned that because of the CEO's encouragement, she stuck with training courses that have enabled her to increase her income at B&J and, therefore, provide greater financial support to her family.

There is a strong sense of loyalty on the factory floor and staff turnover is low, even though the industry is known to have problems with retention because of the mundane and repetitive nature of the work. The factory is cold and noisy, and the continuous production line work is physically

demanding. The workers represent an array of diverse cultural backgrounds, but there have been few cross-cultural clashes, which reflects the positive environment on the factory floor.

The majority of the workforce has worked with B&J for six to ten years, with many others having worked for the company for 15 years or more. Although this is a positive in terms of employee retention, there is a potential for encountering difficulties among veteran employees when proposing cultural changes that may require changes in attitudes. B&J is perceived internally as trustworthy and honest, and employees feel safe because decisions seem to be made with the best intentions for the company in mind. The company's atmosphere is collegial and family-like. Although, as one employee put it, there are some "serial whingers" (persistent complainers), most employees are happy in their positions. Recruitment is often via word of mouth, with many employees coming from the same family group. Employees who have moved from B&J's competitors have commented on the company being more organized, methodical, and collaborative in culture than their previous employers. In describing the company, staff members have used the metaphor of a rock that holds its ground, even when the intensity and path of the river changes. Printed on employee business cards, the company's philosophy, known as "The B&J Way," outlines the company's values and goals (see **Exhibit 1**). One of the rationales for articulating the company's values in "The B&J Way" is to help ensure positive engagement by all members of the organization as it grows.

Exhibit 1. The B&J Way

We at B&J have a moral obligation to be the safest and greatest food company in Asia-Pacific. Our well-defined vision drives our success by exceeding our stakeholders' expectations. We excel by setting short- and long-term goals that require personal growth and great performance by each one of us. We will be dynamic with our objectives to ensure that we are continually challenged.

- I understand "The B&J Way" is about my performance and accountability to the team.
- I commit to develop and become great.
- This is the B&J Way and I am committed to it.

B&J has made a significant investment in staff training, and it offers opportunities for talented individuals to develop and to be quickly promoted within the company. The CFO, for example, started out at the firm as an assistant accountant. B&J has invested in management and team leader development courses, as well. Newly promoted shift leaders, for instance, are given a front-line management course designed to improve their management and team leadership. A culture of accountability has been created for each position, which has empowered line staff to develop the efficiency of the company's front line. That, in turn, makes them feel like a valued part of the team. Since the start of the cultural change program, there has been a shift in emphasis from managers managing to managers leading their teams, as Kotter proposed (2001).

In recent months, a more systematic process has been established for managers to talk problems through with employees. In addition, managers are being encouraged to take time out to step back and "reflect on their tool box" when addressing certain situations. Beak has pushed for an emphasis on some of the so-called Rockefeller habits: setting priorities, with the emphasis on B&J's strategic goals; tapping into reliable data, in the form of performance feedback; and creating a rhythm, or accountability (Harnish, 2002). The leadership development training of front-line and middle managers implemented through Academy Global focused on a number of

core areas that are central for leaders, including attracting, hiring, developing, mentoring, and appraising employees as well as challenging and removing them, when necessary. Feedback from senior managers reveals that lower level managers have appreciated the investment in their development.

Some managers feel that although they are now much better at saying things without offending their teams, jobs often are not completed because what people say is different from what they do. Although it is good practice to codify the daily production on a large white board next to the factory floor, with 17 line managers who plan for the following day's production, there is concern that there are too many managers going over the data and not enough people on the lines to ensure that targets are met. The plan is for the targets, which are manually tracked on the white board, to eventually be entered electronically, which should help ensure that managers can reflect on the data without sacrificing valuable time that could be spent on leadership duties on the factory floor.

A major challenge in reaching daily targets has to do with the difference between the day shift (5:30 am to 2:30 pm) and the afternoon shift (2.30 pm to midnight). Managers are encouraged to conduct huddles between the shifts to discuss what the day shift has done and what the afternoon shift needs to do. The cultural norms in the two shifts are significantly different, however.

The day shift is described as taking a "gung ho" and "bull at a gate" approach, which leads to higher yields. Part of this is because the day shift chooses which meats to process on the production lines, which make it easier to hit their targets. The afternoon shift is under greater pressure because of specific cut-off times at 3:00 and 3:30 pm, when trucks pick up particular products for delivery to the supermarkets. In short, there are differences in priorities, with the

day shift focusing on maximizing yields, whereas the afternoon shift focuses on being ready for time-sensitive delivery pick-ups. This has led to disagreements between the managers of the different shifts. Whereas the day shift is generally perceived as successful in terms of their greater yields, the afternoon shift is sometimes tarnished as less successful, despite the fact that the workers on the later shift have less flexibility in their choice of what to work on and tighter deadlines. This suggests a need for clearer lines of communication to enable the day and afternoon shifts to support one another to maximize both sets of yields, as opposed to competing with one another in a zero-sum game. Nonetheless, yields have increased and there has not been any lost time due to injury this year.

Lessons Learned

Organizations across various sectors can learn from B&J's experiences in leadership development and cultural change. Some of the factors to consider follow.

Open leadership: Beak's willingness to give researchers full and uncensored access to the organization is notable. He was very candid about his own leadership traits and encouraged others to express their opinions openly. Leaders who are willing to adopt a growth mindset in the interest of developing their leadership skills and the company as a whole will come across as being more authentic.

Hands-on experience: Employees respected Beak because he had worked on the front line of the business. Effective leaders must show that they can relate to the activities of their employees, which means being visible in all areas of the organization and not giving the impression of being out of touch.

Transparency: Beak's communication style struck some senior leaders in the organization as ambiguous. For instance, there was some uncertainty about the difference between the senior leadership team and the senior strategy team. Another uncertainty at B&J revolved around Beak's role in the future of the organization. Effective operations require absolute transparency about the organization's structure and composition. Although this might seem like an obvious observation, experience shows that start-ups, family businesses, and rapidly growing organizations often struggle with this. Many organizations and even functional teams can experience similar challenges when a highly entrepreneurial, charismatic, influential, or effective leader has fostered a successful environment for many years and is thinking about stepping away from the business. There is no one-size-fits-all approach that should be used in these instances, because every context is unique. Transparency and a clear rationale from the incumbent about the future pathway are always essential.

A horizontal, as opposed to a vertical, structure: Beak's emphasis on moving from a hierarchical to a more horizontal leadership structure has clearly increased employee motivation, engagement, and performance. It has also empowered the managers on the factory floor. Flatter organizational structures, which can give employees greater responsibility, should be encouraged in other organizational settings, so long as the lines of accountability remain clear and such structures are implemented consistently across the whole organization. In the case of B&J, there was overwhelming support for this cultural transition, but also complaints, including some toward Beak, that it was not applied uniformly across the organization.

Investing in people: B&J showed a commitment to externally training line managers with a view to improving their leadership behaviors and increasing their opportunity to grow within the

organization. Any leaders who significantly invest in their people will send strong positive signals to them about how highly they are valued. Effective talent management also entails making tough decisions about people who are consistently under-performing after every consideration and effort has been made to enable them to succeed. All leaders must be prepared to deal with unacceptable behavior and performance, particularly when trying to improve the leadership and culture of the organization. Communicating a company's values in a highly visible way, such as B&J has done on its business cards, is a positive way of enabling people to understand and engage with its core values. There is a delicate balance to be struck, however, between company values that are overly broad and meaningless, and values that are too specific and potentially alienating for some employees. One way of finding the right balance is through a bottom-up approach in which employees are encouraged to create value statements in conjunction with their managers and leaders. This leads to the creation of a company philosophy rooted in authentic values that are relevant to employees across the organization.

Benchmarking resources: B&J used a range of resources to improve its culture and performance. "I have built up a huge network of contacts in similar businesses overseas and I have probably had more influence from visiting their businesses and seeing how they manage them," said Beak. He mentioned learning about leadership and integrity from Cargill, flattened empowered structures from Tulip Ltd., and innovation from Bakkavor. This highlights the importance of understanding what other similar organizations are doing and learning from their positive and negative experiences. The perennial challenge, however, is to balance competition and collaboration. It is common for competing organizations to be reluctant to share their practices. Arguably, family businesses can be even more protective of their initiatives than others are. It is important to remember, however, that other organizations do not operate in a vacuum

and, in many instances, they can affect the reputation of an entire industry. Hence, the benefits of working with and even helping the competition can be numerous and significant.

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